

**BANK OF ISRAEL**

Office of the Spokesperson and Economic Information

Press release

February 6, 2023

**The Banking Supervision Department has imposed financial sanctions on Israel Discount Bank, Bank Hapoalim, and Mizrahi-Tefahot Bank for improper conduct in the process of collecting debts from customers**

The Banking Supervision Department has found that Israel Discount Bank, Bank Hapoalim, and Mizrahi-Tefahot Bank did not comply with a Proper Conduct of Banking Business Directive[[1]](#footnote-1) regarding collecting debts from customers, and has imposed a financial sanction on them of NIS 1,200,000, NIS 850,000, and NIS 700,000, respectively, in respect of violating the obligation to report to the Execution Office.

On each of the banks—Israel Discount Bank, Bank Hapoalim, and Mizrahi-Tefahot Bank—a financial sanction was imposed in respect of not reporting to the Execution Office about monies received that were paid against the debt. An additional financial sanction was imposed on Israel Discount Bank in respect of not reporting to the Execution Office within a reasonable amount of time, about debt restructuring agreements that were reached between the bank and the customer.

When customers endure economic difficulties, and are not able to comply with the payment of their debt to the bank, the bank at times will adopt legal proceedings to collect the debt. These involve, among other things, opening a debt account at the Execution Office. Within the framework of this procedure, many customers reach payment agreements with the bank or send money to the bank in order to reduce the debt. All money received, that was paid by the customer to the bank or to the bank’s proxies reduces the debt on the bank’s books, with the bank required, in parallel, to report to the Execution Office about the receipt of the payment, in order to reduce the debt balance in the Execution Office’s file as well.

In a designated directive that deals with the issue of collecting debts from customers, and that is at the core of relations between a bank and a customer, obligations were set regarding reporting to the Execution Office on payments received against the debt that are not made via the Execution Office, as well as reporting obligations regarding debt restructuring arrangements that were reached with customers. The obligation to report within 7 days of receipt of the payment derives from the great importance in reducing the debt on time, so that the borrower and guarantor will have the option of tracking the precise amount of debt in real time. Failure to report to the Execution Office on time by the bank constitutes a substantial deficiency, as it can lead to a false presentation of the debt, and this can impact on the debtor’s decisions, for example when reaching a debt restructuring vis-à-vis the bank. Such conduct is even liable to impose additional debts on the customer. The obligation to report to the Execution Office on a debt restructuring within a reasonable amount of time, is also intended to prevent the imposing of sanctions against the customer during the arrangement.

The various banks noted that the receipts were recorded on the bank’s books and were taken into account in processes of closing out the debt, and therefore, claim the banks, no financial harm was caused to the customers. The Banking Supervision Department required that the banks rectify the deficiencies that were identified, and to prevent the repeat of cases such as this, and continues to examine the issue.

**Supervisor of Banks Mr. Yair Avidan said, “The Banking Supervision Department sees importance in enhancing consumer enforcement and will continue to act to carry out controls with information received from the public. It also carries out, and will carry out, initiated controls using its authorizations to rectify deficiencies and enforce them. We see in this case improper conduct that could lead to a significant adverse impact on customers where there is a structural gap in forces, between the bank and the customer. Therefore, even though the reports are carried out by the banks’ proxies, enhanced responsibility is placed on the fulfillment of the directives protecting the customers.”**

The deficiencies in the conduct of Mizrahi-Tefahot and Discount banks arose in an initiated control carried out on the implementation of the Directive, and the deficiencies at Bank Hapoalim were identified through the public’s complaints received at the Banking Supervision Department.

To see decisions and a detailed list of the violations identified, the considerations behind the decision, and the reasons for imposing the sanction as it develops, see (in Hebrew):

* [החלטה בדבר הטלת עיצום כספי בגין הפרת הוראת ניהול בנקאי תקין מס' 450 שהוטלה על בנק דיסקונט לישראל בע"מ.](file:///C:\Users\u62b\AppData\Local\Microsoft\Windows\INetCache\Content.Outlook\AppData\Local\Microsoft\Windows\INetCache\Content.Outlook\YR9G2D4Z\23LM4789%20(002).pdf)



* [החלטה בדבר הטלת עיצום כספי בגין הפרת הוראת ניהול בנקאי תקין מס' 450 שהוטלה על בנק הפועלים בע"מ.](file:///C:\Users\u62b\AppData\Local\Microsoft\Windows\INetCache\Content.Outlook\IRLT8E9S\23LM4783.pdf)



* [החלטה בדבר הטלת עיצום כספי בגין הפרת הוראת ניהול בנקאי תקין מס' 450 שהוטלה על בנק מזרחי-טפחות בע"מ.](file:///C:\Users\u62b\AppData\Local\Microsoft\Windows\INetCache\Content.Outlook\IRLT8E9S\23LM4786.pdf)



1. Proper Conduct of Banking Business Directive no. 450, on “Debt Collection Proceedings”. [↑](#footnote-ref-1)